

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2005

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2005

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of the Board of Supervisors
The County of San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino (the County) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving internal control over financial reporting that we have reported to management of the County in a separate letter dated November 10, 2005.

This report is intended solely for the information and use of the Board of Supervisors, management, Federal awarding agencies, pass-through entities and the Controller of the State of California and is not intended to be and used by anyone other than these specified parties.

Vavrenik, Tuna, Day & Co., LLP

Rancho Cucamonga, California
November 10, 2005



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Honorable Members of
the Board of Supervisors
County of San Bernardino, California

Compliance

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Child Development Program, which expended \$34,048,017 in federal awards, which are not included in the schedule during the year ended June 30, 2005. Our audit described below did not include the grant programs of the Child Development Program because the County engaged other auditors to perform such audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as items 2005-1 through 2005-11.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control over compliance did not extend to the Child Development Program, which is audited by other auditors.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California as of and for the year ended June 30, 2005, and have issued our report thereon, dated November 10, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. The Supplemental Schedule of California Department of Aging Grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management, Federal awarding agencies, pass-through entities and the Controller of the State of California and is not intended to be and used by anyone other than these specified parties.

Kavonik, Tania Day, C, LLP

Rancho Cucamonga, California
May 11, 2006

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Agriculture			
Pass -Through Programs:			
Child Nutrition Cluster			
California Department of Education:			
School Breakfast Program	10.553	36-10363-6037469-01	\$ 260,123
National School Lunch Program	10.555	36-10363-6037469-01	400,791
Total Child Nutrition Cluster			<u>660,914</u>
Food Stamps Cluster			
California Department of Social Services:			
Food Stamps Program	10.551		158,552,395
Food Stamps Administration	10.561		12,885,503
California Department of Health Services:			
Regional Nutrition Network for Healthy Active Families	10.561	19406001347-A7	325,323
Nutrition Network	10.561	19406001347-A7	538,982
Public Health Institute:			
California Latino Five-a-Day Campaign	10.561	94-4646278	69,000
Children's Five-a-Day Power Play Campaign	10.561	94-1646278	72,000
Total Food Stamps Cluster [1]			<u>172,443,203</u>
California Department of Education:			
Child and Adult Care Food Program	10.558	3615241J	<u>1,843,886</u>
California Department of Food and Agriculture:			
Inspection, Grading, and Standardization	10.162	04-0573	<u>10,544</u>
California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	02-25704	<u>7,900,642</u>
California Department on Aging:			
Seniors Farmers' Market Nutrition Program	10.576		<u>25,436</u>
State Controller:			
Schools and Roads - Cluster	10.665		<u>132,440</u>
Total Pass-Through Programs			<u>183,017,065</u>
Direct Programs:			
Forestry Research Grant	10.652		150,667
Cooperative Agreement for Controlled Substances	10.664		91,948
Economic Incentive for Small Business	10.670		93,617
Infested Bark Beetle Wood Utilizaition Program	10.672		2,370,570
San Bernardino CSA 70 S-7 Lenwood Sewer Project	10.760		<u>1,189,703</u>
Total Direct Programs			<u>3,896,505</u>
Total Department of Agriculture			<u>186,913,570</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Defense			
Direct Programs:			
U.S. Army Corp. of Engineers San Timeteo Creek Project-Phase 3B	12.106		\$ 668,148
Department of Housing and Urban Development			
Pass -Through Programs:			
City of Riverside:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		636,665
Direct Programs:			
Lead Hazard Reduction Demonstration Grant	14.905		1,277,240
Community Development Block Grant [1]	14.218		12,998,353
Emergency Shelter Grant Program	14.231		339,946
HOME Investment Partnerships Program	14.239		2,978,360
Total Department of Housing and Urban Development			<u>18,230,564</u>
Department of the Interior			
Pass -Through Programs:			
State Controller's Office:			
Taylor Grazing Act	15.227		25,964
Direct Programs:			
Reclamation and Water Reuse Program	15.504		5,232,901
Payment in Lieu of Tax	15.226		1,742,064
Total Department of the Interior			<u>7,000,929</u>
Department of Justice			
Pass -Through Programs:			
California Board of Corrections:			
Operation Cleansweep	16.523	IP02A10360	470,287
California Office of Criminal Justice and Planning:			
Juvenile Accountability Incentive Grant	16.523	BDC 137-04	418,136
Street Enforcement and Prosecution	16.579	DC04150360	439,321
California Office of Emergency Services:			
Crime Laboratory Education & Training Program-2004	16.560	CQ03020360	20,629
Elder Abuse Advocacy and Outreach Program	16.575	EA04070360	79,942
Special Emphasis Victim Witness Assistance Program	16.575	SE04140360	106,115
Victim Witness Assistance Program	16.575	VW04230360	444,720
Elder Abuse Advocacy and Outreach Program	16.579	EA04070360	41,722
Street Enforcement and Prosecution	16.579	DC04150360	845,323
Marijuana Suppression Program	16.579	MS04090360	250,000
County of Riverside:			
High Intensity Drug Trafficking Area	16.15PLAP540Z	15PLAP540Z	641,671
Total Pass-Through Programs			<u>3,757,866</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Direct Programs:			
Southwest Border Prosecution Initiative	16.SBP		\$ 1,522,135
Federal Asset Forfeitures Program	16.CA0360000		1,383,361
High Intensity Drug Trafficking Area	16.15PLAP530Z		576,157
Developing Testing & Demonstrating Promising New Programs	16.541		229,488
2003 Congressional Earmark Funds	16.580		45,879
Local Law Enforcement Block Grant - 2002	16.592		128,247
Local Law Enforcement Grant - 2003	16.592		40,634
Local Law Enforcement Block Grant - 2004	16.592		57,077
Home Run Program (COPS MORE)	16.710		1,780,216
U.S. National Institute of Justice			
Forensic Casework DNA Backlog Reduction Program 04	16.564		23,241
U.S. Marshal Service:			
Regional Fugitive Task Force	16.FATF-0044		34,375
Drug Enforcement Administration:			
Domestic Cannabis Eradication/Suppression Program	16.2005-31		54,807
Total Direct Programs			<u>5,875,617</u>
Total Department of Justice			<u>9,633,483</u>
Department of Labor			
Pass -Through Programs:			
Workforce Investment Act Cluster			
California Employment Development Department			
Workforce Investment Act - Adult	17.258	R588747	4,748,051
Workforce Investment Act - Youth	17.259	R588747	3,931,594
Workforce Investment Act - Dislocated Workers	17.260	R588747	4,789,607
Total Workforce Investment Act Cluster			<u>13,469,252</u>
California Department on Aging:			
Senior Community Service Employment Program - Title V	17.235	TV-0405-20	258,049
California Employment Development Department:			
Workforce Investment Act - Incentive Grants	17.266	R588747	98,510
National Council on Aging:			
Senior Community Service Employment Program - Title V	17.235	ANPPM-02-SNB	330,623
Total Department of Labor			<u>14,156,434</u>
Department of Transportation			
Pass -Through Programs:			
California Department of Transportation:			
Highway Planning and Construction Cluster - Highway			
Planning and Construction Grant	20.205	85954	3,145,285
Direct Programs:			
Airport Improvement Program [1]	20.106		<u>5,609,263</u>
Total Department of Transportation			<u>8,754,548</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
General Service Administration			
Pass -Through Programs:			
Secretary of State			
Help America Vote Act (HAVA)	39.011	04LA580001	\$ 2,582,728
Environmental Protection Agency			
Pass -Through Programs:			
State Water Resources Control Board:			
Lenwood Sewer Project	66.606	XP-98970001-5	867,097
State Underground Storage Tanks Program	66.805	04-038-250-0	120,295
Total Environmental Protection Agency			<u>987,392</u>
Department of Education			
Pass -Through Programs:			
California Department of Alcohol and Drug Program:			
Safe and Drug-Free Schools	84.186	SDF-0311	<u>198,000</u>
Department of Health and Human Services			
Pass -Through Programs:			
Medicaid Cluster:			
California Department of Health Service:			
Medi-Cal Assistance Program (HSS)	93.778		34,287,420
Medi-Cal Administrative Activities (MAA)	93.778	03-75084	3,276,486
County Department of Public Health:			
Medi-Cal Administrative Activities (MAA) - Aging	93.778	03-75084	717,623
County Department of Mental Health:			
Medi-Cal Administrative Activities (MAA) Public Guardian	93.778	03-75084	175,559
California Department on Aging:			
Medi-Cal Assistance Program	93.778	MS-0405-17	537,999
California Department of Social Services			
In-Home Support Services-Public Authority	93.778		1,517,601
California Department of Alcohol and Drug Program:			
Medi-Cal Assistance Program	93.778	NNA36	1,741,355
California Department of Mental Health:			
Medi-Cal Assistance Program	93.778	04-74242-000	28,309,962
Total Medicaid Cluster			<u>70,564,005</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Aging Cluster:			
California Department on Aging:			
Special Programs for the Aging - Title VII-B	93.041	AP-0405-20	\$ 37,625
Special Programs for the Aging - Title VII-A	93.042	AP-0405-20	63,543
Special Programs for the Aging - Title III, Part F	93.043	AP-0405-20	81,120
Special Programs for the Aging - Title III, Part B	93.044	AP-0405-20	1,137,940
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	AP-0405-20	2,165,831
Family Caregiver	93.052	AP-0405-20	724,740
Nutrition Program for the Elderly	93.053	AP-0405-20	650,455
Total Aging Cluster [1]			<u>4,861,254</u>
California Emergency Medical Services Authority:			
U.S. HRSA's National Bio-terrorism Hospital Prep Program	93.003		<u>1,104,674</u>
California Department of Alcohol and Drug Program:			
Substance Abuse Prevention and Treatment Block Grant	93.959	NNA36	<u>10,858,828</u>
California Department of Health Services:			
Project Grants for Tuberculosis Control	93.116		233,833
Acquired Immunodeficiency Syndrome	93.118	04-35374	166,812
Childhood Immunization Grant	93.268	68-0317191	354,914
Public Health Preparedness and Response to Bio-terrorism	93.283	94-6001347	2,404,013
HIV Care Formula Grant - Title II	93.917	03-75924	891,318
Project Lean - Food on the Run	93.991	94-1646278	65,000
Maternal and Child Health Services Block Grant	93.994	200336	926,557
Total California Department of Health Services			<u>5,042,447</u>
California Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150		338,645
Mental Health Services Block Grant [1]	93.958		<u>3,285,694</u>
Total California Department of Mental Health			<u>3,624,339</u>
California Department of Social Services:			
Family Preservation and Support Services	93.556		1,951,656
Temporary Assistance to Needy Families (HSS)	93.558		196,665,603
Temporary Assistance to Needy Families (Probation)	93.558		6,341,686
Child Support Enforcement	93.563	AD-2005-CAC-XX3	26,058,331
Refugee and Entrant Assistance	93.566		29,311
Refugee and Entrant Assistance - Admin	93.566		2,577
Child Welfare Services - State Grants	93.645		1,839,838
Adoption Assistance	93.659		9,656,308
Adoption Assistance - Admin	93.659		1,840,071
Social Service Block Grant - Title XX [1]	93.667		3,109,515
Independent Living Skills	93.674		1,356,548
Foster Care - Title IV - E	93.658		57,256,523
Foster Care - Title IV - E - PRB	93.658		12,928,190
Total California Department of Social Services			<u>319,036,157</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
California Department on Aging: Health Care Financing Research Demonstrations Project	93.779	HI-0405-20	\$ 52,903
California Family Planning Commission: Family Planning Service - Title X	93.217		483,730
Total Pass-Through Programs			415,628,337
Direct Programs:			
Consolidated Health Centers	93.224		299,800
Head Start Program	93.600		32,518,598
HIV Cluster - HIV Emergency Relief Formula Grant Title I [1]	93.914		5,970,587
Grants to Provide Outpatient Services for HIV Disease - Title III	93.918		726,958
Mental Health Disaster Assistance-2003 Southern California Fires	93.982		1,009,243
Total Direct Programs			40,525,186
Total Department of Health and Human Services			456,153,523
Department of Homeland Security			
Pass -Through Programs:			
California Office of Emergency Services:			
FY 2004 State Homeland Security Grant Program [1]	97.067	2003-35-071	2,927,323
FY 2003 State Homeland Security Grant Program Part I [1]	97.067	2003-167-071	508,307
FY 2003 State Homeland Security Grant Program Part II [1]	97.067	2003-35-071	1,473,261
FY 2002 State Domestic Preparedness Equipment Program	97.004	2002-TE-CX-0133	489,396
FY 2001 State Domestic Preparedness Equipment Program	97.004	2002-88-OES-071	23,573
FEMA - Public Assistance Grants	97.036	FEMA-1577	14,421,783
FEMA - Disaster Assistance-Transportation	97.036	FEMA-1577	5,180,919
Hazard Mitigation	97.039	FEMA-1008-CA	667,003
Total California Office of Emergency Services/Pass-Through Programs			25,691,565
Direct Programs:			
Citizen Corp CERT Grant FY 2003	97.053		4,968
Assistance to Firefighters Grant	97.044		6,517
Hazard Mitigation	97.039		1,926,956
Total Department of Homeland Security			27,630,006
Total Expenditures of Federal Awards			\$ 732,909,325

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Child Development Department, which were audited by other auditors engaged by the County. The aforementioned program is included in the County's financial statements; however, excluded from the Schedule of Expenditures of Federal Awards. A separate single audit report is issued for the Child Development Department. Federal awards received directly from federal agencies, as well as, federal awards, passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in Note 1 to the County's financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the County's financial statements.

C. Relationship to Basic Financial Statements

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements.

Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

E. Outstanding Loans

At June 30, 2005, outstanding loans under the United States Department of the Interior, Bureau of Reclamation - Reclamation and Water Reuse Program and U.S. Army Corp. of Engineers are \$19,739,000 and \$6,000,000, respectively.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Amount Provided to Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Award Expenditures
California Latino Five-a-Day Campaign	10.561	\$ 11,177
California Nutrition Network	10.561	15,003
Children's Five-a-Day Power Play Campaign	10.561	19,626
Community Development Block Grant	14.218	6,181,971
HOME Investment Partnerships Program	14.239	2,358,980
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	595,014
Lead Hazard Reduction Demonstration Grant	14.905	1,078,564
High Intensity Drug Trafficking Area	16.I5PLAP530Z	48,643
High Intensity Drug Trafficking Area-County of Riverside	16.I5PLAP540Z	38,282
Federal Asset Forfeitures Program	16.CA0360000	77,328
Juvenile Accountability Incentive Grant	16.523	121,718
Developing Testing & Demonstrating Promising New Programs (IMPACT)	16.541	111,000
Street Enforcement and Prosecution	16.579	77,204
Workforce Investment Act - Adult	17.258	1,953,001
Workforce Investment Act - Youth	17.259	2,478,999
Workforce Investment Act - Dislocated Workers	17.260	352,823
Workforce Investment Act - Incentive Grants	17.266	4,937
National Bio-terrorism Hospital Preparedness Program	93.003	606,225
Special Program for the Aging, Title III, Part B	93.044	295,258
Special Program for the Aging, Title III, Part C1 & C2, Nutrition Services	93.045	1,964,822
Family Caregiver	93.052	348,133
Nutrition Program for the Elderly	93.053	642,182
Consolidated Health Centers	93.224	129,400
Family Preservation and Support Services	93.556	1,658,526
Head Start Program	93.600	2,336,251
Independent Living Skills	93.674	1,031,722
Medi-Cal Assistance Program (Alcohol)	93.778	1,537,063
Medi-Cal Assistance Program (Mental Health)	93.778	9,710,605
Health Care Counseling And Advocacy Program (HICAP)	93.779	41,783

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Amount Provided to Subrecipients (Continued)

Program Title	Federal CFDA Number	Federal Award Expenditures
HIV Emergency Relief Formula Grant-Title I	93.914	\$ 2,953,756
HIV Care Formula Grant- Title II	93.917	538,418
Mental Health Services Block Grant	93.958	1,797,983
Substance Abuse Prevention and Treatment Block Grant	93.959	7,818,933
Mental Health Disaster Assistance - 2003 Southern California Fires	93.982	890,435
Maternal and Child Health Services Block Grant	93.994	25,189
FY 2002 State Domestic Preparedness Equipment Program	97.004	37,058
FY 2003 State Homeland Security Grant Program Part I	97.067	382,123
FY 2003 State Homeland Security Grant Program Part II	97.067	988,766
Total Amount Provided to Subrecipients		<u>\$ 51,258,901</u>

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COUNTY OF SAN BERNARDINO, CALIFORNIA

SUMMARY OF AUDITORS' RESULTS
YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.551 and 10.561</u>	<u>Food Stamps Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>20.106</u>	<u>Airport Improvement Program</u>
<u>93.041, 93.042, 93.043, 93.044, 93.045, 93.052, and 93.053</u>	<u>Aging Cluster</u>
<u>93.667</u>	<u>Social Services Block Grant- Title XX</u>
<u>93.914</u>	<u>HIV Emergency Relief Formula Grant-Title I</u>
<u>93.958</u>	<u>Mental Health Services Block Grant</u>
<u>97.067</u>	<u>FY 2004 and FY 2003 State Homeland Security Grant Programs, Part I and II</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

The following findings represent reportable conditions and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2005-1

Program: Mental Health Services Block Grants (SAMHSA)

CFDA No: 93.958

Federal Agency: Department of Health and Human Services

Passed-through: California Department of Mental Health

Award No: Not Applicable

Award Year: 2004-2005

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement*, requirements for Subrecipient Monitoring state that the pass-through entity is responsible for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.

Condition:

Of the five subrecipients selected for testwork, the following was noted:

- Each of the subrecipient contracts did not identify the Federal award information or the applicable compliance requirements related to the grant.
- The Department appears to have conducted program monitoring for two of the five subrecipients; however, the Department could not substantiate the site visits or produce a monitoring report issued to the subrecipient that summarizes the procedures and recommendations.
- Each subrecipient agreement did not communicate the requirement to comply with the compliance requirements applicable to the Federal program including the audit requirements of *OMB Circular A-133*. As a result, one subrecipient that received more than \$500,000 during fiscal year 2004-2005 did not properly report the Mental Health Services Block Grant's CFDA number in its Single Audit report.

Context:

Approximately 45 percent (\$1,481,934) of the total grant received for fiscal year 2004-2005 was passed-through to subrecipients.

Effect:

Lack of formal procedures for subrecipient monitoring may lead to future noncompliance.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

Cause:

This reportable condition is the result of the Department's lack of adequate internal controls, including formal policies and procedures in place to ensure compliance with subrecipient monitoring requirements as defined by *OMB A-133*.

Recommendation:

We recommend that the Department implement formal procedures to ensure they are in compliance with the Subrecipient Monitoring compliance requirements, which includes award identification, during-the-award monitoring, subrecipient audits, and any potential impact to the pass-through entity.

Finding 2005-2

Program: Mental Health Services Block Grants (SAMHSA)

CFDA No: 93.958

Federal Agency: Department of Health and Human Services

Passed-through: California Department of Mental Health

Award No: Not Applicable

Award Year: 2004-2005

Compliance Requirement: Procurement, Suspension, and Debarment

Questioned Costs: None

Criteria:

In accordance with the *OMB A-102 Common Rule* and 45 CFR 76, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Condition:

Of the five subrecipient contracts selected for testwork, only two contracts had a suspension and debarment clause as a condition of the signed contract.

Context:

Approximately 45 percent (\$1,481,934) of the total grant received for fiscal year 2004-2005 was passed through to subrecipients.

Effect:

Lack of formal procedures and internal controls over suspension and debarment may lead to future noncompliance.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Cause:

The Department does not have established policies and procedures to verify that non-profit and for-profit subrecipients have not been suspended or debarred by the Federal Government.

Recommendation:

We recommend that the Department implement procedures to ensure that contractors are not suspended or debarred prior to contracting with subrecipients or vendors. To verify that the entity is not suspended or debarred or otherwise excluded, the Department should utilize the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collect a certification from the entity, verify State licensure, or add a clause or condition to the covered transaction (contract) with the entity.

Finding 2005-3

Program: Mental Health Services Block Grants (SAMHSA)

CFDA No: 93.958

Federal Agency: Department of Health and Human Services

Passed-through: California Department of Mental Health

Award No: Not Applicable

Award Year: 2004-2005

Compliance Requirement: Earmarking

Questioned Costs: Unknown

Criteria:

Per the *March 2004 OMB Circular A-133 Compliance Supplement*, the County may not expend more than five percent of grant funds for administrative expenses with respect to the grant. However, per the grant agreement by and between the County and the California Department of Mental Health, "counties have a ten percent administrative cap."

Condition:

For fiscal year 2004-2005, the County charged the Mental Health Services Block Grant \$220,734 for administration cost. The County could not provide supporting documentation that substantiates the administration costs allocated to the Mental Health Services Block Grant.

Context:

Of the total grant received in fiscal year 2004-2005 (\$3,285,694), \$220,734 was approved by the State Department of Mental Health to be used for County Administrative Costs. The State allows the County up to ten percent of the grant to be used for administrative costs.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Effect:

No supporting documentation of the allocation methodology of the County Administrative Cost charged to the Mental Health Services Block Grant may lead to future noncompliance.

Cause:

The Department lacks written policies and procedures and internal controls over earmarking compliance.

Recommendation:

We recommend that the Department implement policies and procedures to ensure the proper identification and allocation administration costs charged to the SAMHSA grant.

Finding 2005-4

Program: Community Development Block Grant

Federal Agency: Department of Housing and Urban Development

CFDA No.: 14.218

Award Year: 2004-2005

Compliance Requirement: Cash Management

Questioned Costs: None

Criteria:

Per *24 CFR 85.21-Basic Standard*, methods, and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at *31 CFR part 205*. In addition, per *24 CFR 85.21-Advances*, grantees, and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

Condition:

In performing cash management testwork, we noted one IDIS drawdown totaling \$1,613,836 with an approved draw date of April 25, 2005, that included subrecipients' expenditures of \$884,929. The subrecipient's expenditures were not submitted to the County for reimbursement until after the drawdown date. The dates on the reimbursement request form submitted by the subrecipient, the review by the Fiscal Section and the Program Section, and the signature of the approving authority all occurred subsequent to the IDIS drawdown date.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Context:

Documentation reviewed for the drawdown indicates that management, in trying to meet the timeliness requirements as set forth in 24 CFR 570.902, contributed to this exception. The standard of timeliness is that 60 days prior to the end of the program year, the total amount of entitlement grant funds available in the Community Development Block Grant (CDBG) account is no more than 1.5 times the current program year funding level. In meeting this requirement, management identified future program costs to be incurred and subrecipient costs that were incurred as of the drawdown date but had not been submitted to the County for reimbursement. The Fiscal Section was instructed to draw funds based on management's analysis.

Effect:

Drawdowns may be made for expenditures that have not yet been incurred.

Recommendation:

We recommend that the County improve the monitoring of actual expenditures incurred (direct costs and subrecipient costs) and the timeliness of subrecipients' submissions of requests for cost reimbursements in an effort to comply with the funding level requirements under the grant. In accordance with the cooperative agreement between the County and the subrecipients, the subrecipients are required to submit monthly cost reimbursement claims. The Fiscal Section should provide timely feedback to the Program Section when a subrecipient's monthly report of grant expenditures and request for reimbursement are not filed in a timely manner so program staff can follow up. This will help ensure that the County is meeting the established cash management goals and the timeliness test requirements under the grant.

Finding 2005-5

Program: Community Development Block Grant

Federal Agency: Department of Housing and Urban Development

CFDA No.: 14.218

Award Year: 2004-2005

Award No: Not Applicable

Award Year: 2004-2005

Compliance Requirement: Procurement, Suspension, and Debarment

Questioned Costs: None

Criteria:

In accordance with the *OMB A-102 Common Rule* and 24 CFR 24, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

Condition:

During our testwork over subrecipient monitoring, it is noted the Department does not require subrecipients to certify whether they are suspended or debarred. In addition, the Department does not have internal controls in place to ensure subrecipients are not suspended or debarred.

Context:

Approximately 47 percent (\$6,181,971) of the total grant received for fiscal year 2004-2005 was passed through to sub-recipients.

Effect:

Lack of formal procedures and internal controls over suspension and debarment may lead to future non-compliance.

Cause:

The Department does not have established policies and procedures to verify that subrecipients providing goods and services under the award have not been suspended or debarred by the Federal Government.

Recommendation:

We recommend that the Department implement procedures to ensure that contractors are not suspended or debarred prior to contracting with subrecipients or vendors. To verify that the entity is not suspended or debarred or otherwise excluded, the Department should utilize the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collect a certification from the entity, or add a clause or condition to the covered transaction (contract) with the entity.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Findings 2005-6

Program: Aging Cluster

CFDA No.: 93.044, 93.045, 93.052, 93.053

Federal Agency: Department of Health and Human Services

Passed-through: California Department of Aging

Award Year: 2004-2005

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

In accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with Federal requirements.

Condition Found:

Of the 25 subrecipients selected for testwork, we noted the following:

- The County did not conduct on-site fiscal monitoring procedures during fiscal year 2004-2005 as required, for five subrecipients.
- The County did not conduct program or fiscal monitoring procedures during fiscal year 2004-2005 as required, for two subrecipients.
- Fourteen program monitoring reports that were not reviewed and approved by a supervisor.
- Three fiscal monitoring reports that were not reviewed and approved by a supervisor.
- Contracts for Title III-B (93.044) and Title III-E (93.052) did not identify the CFDA number or include OMB circular A-133 single audit requirements.
- Contracts for Title III-B and Title III-E did not require certification from subrecipients that they were not suspended or disbarred and no checks were conducted by the County during fiscal year 2004-2005.
- No contract or MOU existed to identify award compliance requirements between the Department of Children Services and Public Authority with the Aging Department.
- No program monitoring procedures were in place for Title III-B and Title III-E.

Effect:

Lack of formal procedures for subrecipient monitoring may lead to future non-compliance.

Cause:

The Department does not have adequate internal controls, including formal policies and procedures, in place to ensure compliance with subrecipient monitoring requirements as defined by *OMB A-133*.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Recommendation:

We recommend that the County implement procedures for Title III-B and Title III-E and ensure established procedures regarding subrecipient monitoring are consistently followed.

Findings 2005-7

Program: Aging Cluster

CFDA No.: 93.044, 93.045, 93.052, 93.053

Federal Agency: Department of Health and Human Services

Passed-through: California Department of Aging

Award Year: 2004-2005

Compliance Requirement: Reporting

Questioned Costs: None

Criteria:

The fiscal year 2004-2005 grant agreement with the California Department of Aging requires that the County submit certain reports to the California Department of Aging.

Condition:

In performing reporting testwork, we noted the following:

- The (SPR 107) a Detailed Expenditure Data Report and the (SPR 108) a Request for Funds Report must be prepared and submitted by the 30th of each month in electronic format. The County submitted the noted reports for July's expenses on September 9, 2004, which was ten days late.
- The (SPR 107) a Detailed Expenditure Data Report for October 2004 and the (SPR 108) a Request for Funds Report for January 2005 was submitted late by the County. The noted reports were submitted on December 12, 2004, which was two days late.
- The (SPR 107) a Detailed Expenditure Data Report for December 2004 and the (SPR 108) a Request for Funds Report for March 2005 was submitted late by the County. The noted reports were submitted on January 31, 2005, which was one day late.
- The (SPR 107) a Detailed Expenditure Data Report for January 2005 and the (SPR 108) a Request for Funds Report for April 2005 was submitted late by the County. The noted reports were submitted on March 1, 2005, which was one day late.
- The (CDA 268) Monthly Financial Status Report/Request for Funds for Title III-E must be prepared and submitted by the 10th of each month. The County submitted the noted report for July's expenses on October 1, 2004, which was 21 days late.
- The (CDA 180) Financial Closeout Report shall be submitted annually, within sixty (60) calendar days following the end of the fiscal year. The noted report was submitted on August 31, 2005, which was two days late.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Effect:

Lack of adherence to established procedures over reporting may lead to future noncompliance.

Recommendation:

We recommend that the County ensure that established procedures regarding reporting are consistently followed to ensure compliance with timely reporting for State and Federal requirements.

Finding 2005-8

Program: Airport Improvement Program

CFDA No.: 20.106

Federal Agency: Department of Transportation – Federal Aviation Administration

Pass-through:

Award Year: 2004-2005

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: \$225,464

Criteria:

In accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, Federal awards are to be expended only for allowable activities and that the costs of goods and services charged to Federal awards be allowable and in accordance with the applicable cost principles.

Condition:

During our testwork over allowable costs, we noted the following:

- The County incorrectly claimed and received reimbursement for expenditures totaling \$175,464 for allowable costs that were claimed and received on a previous reimbursement request.
- Due to a mathematical error, the County claimed and received reimbursement for expenditures totaling \$388,000, but should have only claimed and received \$338,000, resulting in an unallowable reimbursement of \$50,000.
- The County incorrectly calculated reimbursement requests using a 90 percent Federal participation rate versus a 95 percent rate as noted in the Grant agreement for the Resurface Runway Needles Airport Project and the Taxiway A and Taxiway C Barstow/Dagget Airport project, resulting in a potential loss of Federal funding.

Effect:

Lack of formal procedures to review and approve drawdown requests has resulted in unallowable costs charged to the grant, and the potential loss of Federal funding.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Cause:

The Department does not have adequate internal controls, including formal policies and procedures, in place to ensure compliance with the allowability of reimbursed grant expenditures.

Recommendation:

We recommend that the County implement stronger internal controls to ensure reimbursement requests submitted to the Federal granting agency are adequately reviewed and approved to ensure the accuracy and completeness of each request.

Findings 2005-9

Program: HIV Emergency Relief Formula Grant – Title I

CFDA No.: 93.914

Federal Agency: Department of Health and Human Services, Health Resource and Services Administration

Award Year: 2004/2005

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement*, requires a pass-through entity to be responsible for:

- *Award Identification* - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* - (1) Ensuring that subrecipients expending \$500,000 for fiscal years ending or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Condition:

Based on the testing performed over subrecipient monitoring, the following was noted:

- Each of the subrecipient agreements did not identify the Federal award information including the CFDA number.
- Each subrecipient agreement did not communicate the requirements to comply with the compliance requirements applicable to the Federal program including the audit requirements of OMB Circular A-133.
- Due to the volume of expenditures, the Department does not require subrecipients to provide supporting documentation with its monthly reimbursement request to aid in substantiating Federal expenditures. Consequently, the Department did not perform a review of subrecipient's financial records as part of its annual program monitoring procedures to ensure compliance with allowable costs principles.
- The Department does not have a contract or memorandum of understanding in place with a County operated clinic to identify Federal compliance requirements.
- The County does not have adequate procedures in place to ensure subrecipients that are receiving grant funding from the County that is less than \$500,000 are obtaining a single audit, if required. In addition, the County does not appear to have procedures in place to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Effect:

Without communicating compliance requirements to subrecipients in the contract, there is a high risk of noncompliance. Without conducting fiscal monitoring visits, the risk of unallowable cost or inflated expense reporting exists.

Recommendation:

We recommend that the County implement effective policies and procedures to ensure subrecipient single audit requirements are being monitored and conduct on-site fiscal monitoring visits annually or require subrecipients to submit supporting documentation with expenditure invoices.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Findings 2005-10

Program: HIV Emergency Relief Formula Grant – Title I

CFDA No.: 93.914

Federal Agency: Department of Health and Human Services, Health Resource and Services Administration

Award Year: 2004-2005

Compliance Requirement: Cash Management/Period of Availability

Questioned Costs: None

Criteria:

In accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency.

Condition:

Of the four quarterly drawdown request selected for testwork, we noted the following:

- The County's 3rd quarter drawdown resulted in an advance of Federal funds of \$814,456 from the FY 2005-2006 grant. In addition, the County could not readily determine whether interest earned on the advances was required to be reported/remitted to the Federal agency.
- We noted the 4th quarter drawdown request did not agree in total to actual expenditures reported in the County's Financial Accounting System for the period April 1st through June 30th.
- No evidence of review or approval was documented indicating managements approval of each quarter's drawdown amount.

Cause:

The County does not have written policies and procedures that provide procedures for requesting cash advances or drawdowns as close as is administratively possible to actual cash outlays; monitoring of cash management activities, including the accurate reporting and independent approval of available cash balances on the PSC 272, Federal Cash Transactions Report, Status of Federal Cash, and repayment of excess interest earnings where required.

Effect:

Lack of formal procedures to ensure the accuracy of expenditures being submitted in the drawdown request jeopardizes the County's cash management / period of availability compliance.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Recommendation:

We recommend that the County implement written policies and procedures to ensure reimbursement requests are 1) properly reviewed for accuracy and completeness prior to submission to Federal agencies and 2) the PSC 272, Federal Cash Transactions Report, Status of Federal Cash financial should be reviewed for accuracy and completeness and approved by someone independent of the drawdown process, ensuring compliance with Federal cash management principles.

Findings 2005-11

Program: State Homeland Security Grant Program

CFDA No.: 97.067

Passed-through: California Governor's Office of Homeland Security

Award Year: 2004-2005

Compliance Requirement: Allowable/Unallowable Costs

Questioned Costs: None

Criteria:

In accordance with the State Homeland Security Grant Program's *Grant Guide for Local Governments*, all changes made to the Operational Area's approved scope of work or budget must be submitted to the State Office of Emergency Services (OES). Revisions must be requested in writing and approved prior to initiating the revised scope of work or incurring the associated costs. Failure to submit revision requests and receive approval prior to expenditure could result in a reduction or disallowance of that part of the grant.

Condition Found:

During our testwork over allowable costs, we noted 20 out of 36 expenditures deemed allowable under the provisions of the grant agreement, did not agree either in description or amount to the original budget approved by the State. Further, we noted the County did not properly submit revisions to the authorized budget prior to initiating the revised scope of work or incurring the associated costs.

Effect:

Lack of formal procedures to ensure approval is obtained prior to making budget adjustments jeopardizes the County's compliance with allowable costs.

Recommendation:

We recommend that the County establish policies and procedures to ensure that all revision to the grant's budget be requested in writing and approved prior to initiating the revised scope of work or incurring the associated costs.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2004-1	HOME Investment Partnerships Program	14.239	Program Income	Implemented
2004-2	HOME Investment Partnerships Program	14.239	Reporting	Implemented
2004-3	HOME Investment Partnerships Program	14.239	Subrecipient Monitoring	Implemented
2004-4	WIA Cluster	17.258, 17.260	Eligibility	Implemented
2004-5	WIA Cluster	17.258, 17.259, 17.260	Reporting	Implemented

COUNTY OF SAN BERNARDINO, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS
JUNE 30, 2005

Grantor/Program Name	CFDA No.	Contract Number	Federal Expenditures	State Expenditures
California Department of Aging:				
Elder Abuse Program Title VII-B	93.041	Contract #AP 0405-20	37,625	986
Ombudsman Program - Title VII-A	93.042	Contract #AP 0405-20	63,543	9,276
Disease Prevention & Health Promotion Services	93.043	Contract #AP 0405-20	81,120	3,911
Supportive Services Program, Tittle III, Part B	93.044	Contract #AP 0405-20	1,137,940	165,828
Nutrition Programs, Title III, Part C1 & C2	93.045	Contract #AP 0405-20	2,165,831	189,131
Family Caregiver	93.052	Contract #AP 0405-20	724,740	-
Nutrition Program For the Elderly	93.053	Contract #AP 0405-20	650,455	-
Community Based Supportive Services	N/A	Contract #AP 0405-20	-	441,272
Ombudsman Volunteer Recruitment Initiative	N/A	Contract #AP 0405-20	-	57,290
Totals			<u>\$ 4,861,254</u>	<u>\$ 867,694</u>

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